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SSO-00 FEA-01 INRE-00 USIE-00 CIAE-00 DODE-00 PM-03

INR-07 NSAE-00 PA-01 RSC-01 PRS-01 SP-02 AEC-05

AID-05 CEA-01 CIEP-01 COME-00 EB-07 FPC-01 INT-05

OMB-01 SAM-01 OES-03 STR-01 TRSE-00 FRB-03 IO-10

NEA-09 OPIC-03 LAB-04 SIL-01 AGR-05 TAR-01 /127 W

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P R 011407Z FEB 75

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INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 02813

E.O. 11652: GDS

TAGS: ENRG, OECD

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SUBJECT: IEA: MEETINGS OF SEQ JANUARY 30-31 AND AD HOC

STOCKS GROUP JAN 31

1. SUMMARY: STANDING GROUP ON EMERGENCY QUESTIONS (SEQ) MET JAN 30-31 AND REACHED AGREEMENT ON SERIES OF "PRINCIPLES" RELATED TO IMPLEMENTATION OF OIL ALLOCATION PROCEDURES TO BE RECOMMENDED TO GOVERNING BOARD. OIL INDUSTRY WORKING PARTY (OIWP) WAS PRESENT AT OPENING SESSION TO DESCRIBE ELEMENTS OF ALLOCATION SCHEME WHICH THEY HAD PROPOSED. OIWP RETURNED AT END OF MEETING FOR REVIEW BY CHAIRMAN (VAN RHIJN) OF RECOMMENDATIONS AGREED TO BY SEQ. SEQ ALSO REVIEWED REPORT OF AD HOC BUNKERS GROUP. THE AD HOC STOCK GROUP HELD ITS INITIAL MEETING FOLLOWING CONCLUSION OF SEQ. MEETING OF STANDING GROUP AND AD HOC GROUP ON DATA AND ALLOCATIONS LEFT OPEN UNTIL DATE OF NEXT GOVERNING BOARD MEETING HAS BEEN SET. END SUMMARY

2. SEQ RECOMMENDATIONS TO GOVERNING BOARD ARE SUMMARIZED BELOW:

3. DATA SUBMISSION - SEQ AGREED THAT DURING EMERGENCIES THERE SHOULD BE DIRECT SUBMISSION BY SPECIFIED OIL COMPANIES TO THE SECRETARIAT, AS WELL AS DATA SUBMISSION BY NATIONAL GOVERNMENTS.

4. CONVERSION FACTOR - SEQ PROVISIONALLY ACCEPTED PROPOSAL BY COMPANIES THAT FACTOR FOR CONVERTING PETROLEUM PRODUCTS TO CRUDE OIL EQUIVALENT BE SET AT 1.065.

5. SUPPLY PATTERNS FOR PRODUCTS - GROUP AGREED THAT HISTORICAL SUPPLY PATTERNS FOR PETROLEUM PRODUCTS SHOULD BE FOLLOWED AS FAR AS POSSIBLE. ALLOCATION PROCEDURES SHOULD NOT BE HAMPERED BY EITHER RESTRICTIONS ON PRODUCT EXPORTS OR UNDISCIPLINED PRICE BEHAVIOR BY IMPORTING COUNTRIES WHICH MIGHT DISTORT HISTORICAL PATTERNS. IF PROBLEMS DEVELOPED IN THIS AREA, AFFECTED COUNTRY COULD BRING PROBLEM TO ATTENTION OF AGENCY. GERMAN DELEGATION SUGGESTED NEED FOR SPECIFICITY WITH RESPECT TO PRODUCT ALLOCATION (THIS RELATED TO GERMAN CONFIDENTIAL

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DEPENDENCE ON PRODUCTS PRODUCED BY DUTCH EXPORT REFINERIES.) SEQ AGREED THIS APPROPRIATE SUBJECT TO BE REVIEWED WITH OIL INDUSTRY AD HOC GROUP IN THE FUTURE. SECRETARIAT WILL, IN MEANTIME, ATTEMPT TO DEVELOP HISTORICAL IMPORT PATTERNS ON PRODUCTS BASED ON VOLUNTARY SUBMISSIONS FROM IEA MEMBER COUNTRIES.

6. EXPORT REFINERIES - SEQ AGREED THAT HISTORICAL

SUPPLY PATTERNS SHOULD BE MAINTAINED FROM EXPORT
REFINERIES IN IEA COUNTRIES DURING EMERGENCIES. GROUP
ALSO AGREED THAT DURING THESE PERIODS CUTTING SUPPLIES
TO EXPORT REFINERIES IN NON-IEA COUNTRIES, E.G.
CARIBBEAN, MIGHT NOT BE ADVISABLE SINCE IT
WOULD LIMIT FLEXIBILITY IN FILLING COUNTRY ALLOCATION
RIGHTS AND PRODUCT NEEDS.

7. IMBALANCES IN OIL SUPPLIES AMONG COMPANIES - SEQ
AGREED THAT OIL SUPPLY IMBALANCES THAT MIGHT DEVELOP
BETWEEN COMPANIES DURING AN EMERGENCY SHOULD NORMALLY
BE CONSIDERED A MATTER FOR NATIONAL GOVERNMENTS TO DEAL
WITH WITHIN THEIR BORDERS.

8. PRICING IN AN EMERGENCY - SEQ AGREED THAT SINCE
GOVERNMENTS ARE AUTONOMOUS ON PRICE QUESTIONS ONLY
BROAD GUIDELINES COULD BE RECOMMENDED BY THE SEQ.
GROUP AGREED THAT COMPANIES SHOULD NOT BE FORCED TO

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LOSE MONEY DURING CRISIS BUT AT SAME TIME EMERGENCIES
SHOULD NOT AUTOMATICALLY RESULT IN HIGHER
PRICES OR ABNORMAL PROFITS. GROUP ALSO RECOMMENDED
THAT DURING EMERGENCIES SAME PRICES SHOULD BE CHARGED
TO AFFILIATES AND NON-AFFILIATES AND THAT THESE PRICES
SHOULD BE TERM RATHER THAN SPOT PRICES.

9. EXTRAORDINARY COSTS -SEQ WAS NOT PREPARED TO
ACCEPT PRINCIPLES OF EXTRAORDINARY COSTS, INCLUDING IEA
RESPONSIBILITY, AS PROPOSED BY COMPANIES. TO THE
EXTENT THAT SUCH COSTS DEVELOPED THEY WOULD NORMALLY
FALL WITHIN THE COMPETENCE OF NATIONAL GOVERNMENTS,
ALTHOUGH DOOR LEFT OPEN FOR CONSIDERATION BY IEA ON AN
AD HOC BASIS.

10. DISPUTES - SEQ AGREED THAT ESTABLISHING DISPUTES
MECHANISM AS SUGGESTED BY COMPANIES WAS A POLITICAL
QUESTION WHICH SHOULD BE REFERRED TO GOVERNING BOARD.
IF GOVERNING BOARD APPROVES SUCH A MECHANISM SEQ
RECOMMENDED THAT QUESTION BE EXAMINED FURTHER BY A GROUP
OF LEGAL EXPERTS.

11. INDUSTRY ADVISORY BOARD (IAB) - SEQ AGREED THAT IAB
SHOULD BE FORMED AS A PERMANENT BODY TO PROVIDE
CONSULTATION AND ADVICE ON EMERGENCY QUESTIONS. SIZE OF
BOARD NOT FIXED BUT WOULD BE IN 10-15 MEMBER RANGE
(INCLUDING AT LEAST ONE U.S. INDEPENDENT). IT WOULD
REPRESENT ALL COMPANIES SUBMITTING DATA TO IEA AND

WOULD BE RESPONSIBLE FOR KEEPING OTHER REPORTING COUNTRIES INFORMED. POSSIBILITY OF AD HOC SUB-GROUPS OF IAB ALSO FORESEEN.

12. ABOVE RECOMMENDATIONS WERE SUMMARIZED FOR COMPANIES DURING CLOSING SEQ SESSION. IN RESPONSE, OIWP CHAIRMAN (GILLIAM - BP) EXPRESSED FOLLOWING IMMEDIATE REACTION:

-- COMPANIES QUESTIONED USE OF AFFILIATE PRICING FOR THIRD PARTY TRANSFERS EXCEPT WHEN MANDATED BY THE IEA. THEY ASSUME THAT ALL OTHER TRANSACTIONS WOULD BE IN ACCORDANCE WITH CONTRACTUAL TERMS.

--COMPANIES REMAINED CONSIDERABLY CONCERNED ABOUT RECOVERY OF POSSIBLE EXTRAORDINARY COSTS. AGAIN REITER-
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ATED THE IMPORTANCE OF CLEAR IEA COMMITMENT SHOULD SUCH COSTS MATERIALIZE AS THE RESULT OF IEA MANDATED ACTIONS.

13. BUNKERS CHAIRMAN OF BUNKERS SUBGROUP PROVIDED STATUS REPORT. WITH REGARD TO AVIATION BUNKERS, SEQ SUPPORTED THE BASIC PRINCIPLES OF COMMON ACTION AND COMMON CUT IN BUNKER CONSUMPTION DURING AN EMERGENCY. MOST DELEGATIONS WERE PREPARED TO ACCEPT A PROVISIONAL C CUT OF 5 PERCENT SUBJECT TO FURTHER STUDY BY NATIONAL EXPERTS. DISCUSSION MADE CLEAR THE STRONG

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TENDENCY OF GROUP FOR NON-DISCRIMINATORY TREATMENT OF CHARTERAND SCHEDULED AIR CARRIERS. IT WAS AGREED THAT AD HOC GROUP MUST OBTAIN AND CONSIDER ADDITIONAL ADVICE FROM INDUSTRY BEFORE REPORT ON MARINE BUNKERS CAN BE COMPLETED. MOST DELEGATIONS REJECTED THE CONCEPT OF 100 PERCENT ALLOCATION OF MARINE BUNKERS DURING AN EMERGENCY.

14. THE AD HOC WORKING GROUP ON STOCKS (SWG) OF THE STANDING GROUP ON EMERGENCY QUESTIONS (SEQ) MET ON JAN. 31 IN ITS FIRST SESSION. PRELIMINARY IEA SECRETARIAT DISCUSSIONS WITH NATIONAL ADMINISTRATIONS ON STOCK DEFINITIONS AND THE ADEQUACY OF THE OECD REPORTING SYSTEMS DICSCLOSED MAJOR DIFFERENCES IN STOCK REPORTING METHODS. IT WAS AGREED THAT THE SECRETARIAT WOULD DEVELOP A NEW STOCK REORTING QUESTIONNAIRE WITH ASSISTANCE FROM EEC REPRESENTATIVE AND FORWARD IT TO MEMBERS OF SWGG

FOR REVIEW AND DISCUSSION AT THE NEXT MEETING. THE ITALIAN AND SWISS DELEGATIONS ALSO TABLED STOCK PAPERS FOR FOR CONSIDERATION. SWG CHAIRMAN (HOOPER, CANADA) REPORT-ED ON PRELIMINARY DISCUSSIONS WITH OIL INDUSTRY REPRESENTATIVES AND PRESENTED A PAPER GIVING THE RESULTS. THIS INDICATED THE NEED FOR COMMON STOCK DEFINITIONS AND EXPLICIT INSTRUCTIONS ON "ABSOLUTELY UNAVAILABLE" STOCKS, MINIMUM OPERATING STOCKS, AND RELATED MATTERS. US DELEGATE CITED REQUIREMENT FOR UNIFORM STOCK DEFINITIONS AS PROVIDED IN THE IEA AGREEMENT AND NEED FOR REALITY IN ASSESSING ABSOLUTELY UNAVAILABLE AND MINIMUM OPERATING STOCK LEVELS. THE STOCKS TO BE COUNTED AND THE PROBLEM OF ESTABLISHING MINIMUM OPERATING STOCKS WERE DISCUSSED AND IT WAS GENERALLY AGREED THAT SUCH LEVELS WERE LARGELY SUBJECTIVE. THE UK DELEGATION AGREED TO TABLE A PAPER AT THE NEXT SWG MEETING SETTING FORTH THEIR VIEWS ON THE SUBJECT. OTHERS WERE TO COME PREPARED TO DISCUSS THIS ISSUE. AT THE REQUEST OF SEQ CHAIRMAN, THE STOCK GROUP WILL CONSIDER SPECIAL PROBLEM OF AVIATION AND MARINE BUNKER STOCKS; HOWEVER, IT WAS AGREED THAT THE SWG MUST OBTAIN INDUSTRY VIEWS AND INFORMATION BEFORE THIS MATTER CAN BE ADDRESSED PROPERLY. NEXT MEETING OF SWG WAS TENTATIVELY SCHEDULED FOR THE DAY BEFORE THE NEXT SEQ MEETING. TURNER
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Message Attributes

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